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Role of the United Nations in promoting development in the context of globalization and interdependence

Report of the Secretary-General**

Executive summary

In an increasingly interdependent world, enhancing economic governance at all levels has become critical for maximizing the benefits of the globalization process for all. The present report addresses some relevant aspects of economic governance at the global, regional and national levels.

The report highlights areas where the recommendations of recent United Nations global conferences could benefit from a discussion of modalities for their implementation. It also identifies areas where further discussion at the intergovernmental level is needed. These include measures to enhance the coherence and consistency of the international monetary, financial and trading systems in support of development and ways to enhance the role of civil society in intergovernmental processes.

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I. Introduction

1. In the United Nations Millennium Declaration,[1] heads of State and Government emphasized that "the central challenge we face today is to ensure that globalization becomes a positive force for all" (para. 5). To respond to this challenge and make globalization fully inclusive and equitable, they resolved "to create an environment — at the national and global levels alike — which is conducive to development and to the elimination of poverty" (para. 12). They further recognized that achieving this objective "depends, inter alia, on good governance within each country. It also depends on good governance at the international level and on transparency in the financial, monetary and trading systems" (para. 13).

2. The issue of development in the context of globalization and interdependence is vast and covers a broad spectrum of concerns. In accordance with the mandate contained in General Assembly resolution 56/209 of 21 December 2001, and as a contribution to the follow-up of the International Conference on Financing for Development, the present report addresses the area of economic governance, at all levels, in an effort to facilitate a more focused discussion in the Assembly. To this end, building on the relevant parts of the Monterrey Consensus of the International Conference on Financing for Development,[2] it focuses on issues that might be further and more systematically addressed at future United Nations meetings, including the Assembly high-level dialogues. The report aims to highlight governance areas critical for maximizing the benefits of globalization, while minimizing its costs. The report, and especially section II, focusing on the global dimension of economic governance, should be read in conjunction with the report of the Secretary-General on the international financial system and development (A/57/151).

3. The Monterrey Consensus addressed, inter alia, economic governance and called for a holistic approach to the interconnected national, international and systemic challenges faced by a globalized world. The Monterrey Consensus contains a number of recommendations in this regard that need implementation.

4. The discussion at the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions and the World Trade Organization held on 22 April 2002 reaffirmed the need for a comprehensive and holistic approach to globalization embodied in the Monterrey Consensus and placed particular emphasis on implementation. A number of key considerations particularly relevant in this regard emerged in the financing for development process:

- It is now widely recognized that as the integration of developing countries in a globalized economy increases, its successful management requires their increased participation in global decision-making.
- As markets expand and encompass the globe, the legal and regulatory frameworks to govern the global markets also need to be extended in such a way as to ensure that the global interest is protected and enhanced.
- Global democratization must go hand in hand with global integration to increase inclusiveness, ownership, accountability and transparency in policy-making, institutions and markets at national and international levels.

- The principles of "decentralization" and "subsidiarity" are useful in guiding decision-making not only at the national and local levels, but also at the international and regional levels.

- Intensive and open dialogue can help to devise innovative and practical solutions suited to specific situations, as opposed to top-down, often "one-size-fits-all" approaches.

5. The Monterrey Consensus of the International Conference on Financing for Development assigned a new task to the General Assembly's biennial high-level dialogue, that of becoming "the intergovernmental focal point for the general follow-up to the Conference and related issues. The high-level dialogue would include a policy dialogue, with the participation of the relevant stakeholders, on the implementation of the results of the Conference, including the theme of coherence and consistency of the international monetary, financial and trading systems in support of development" (para. 69 (c)). The discussion on globalization at the current session of the Assembly could thus help pave the way for the substantive debate at next year's high-level dialogue.

II. The global dimension of economic governance

6. The need for enhanced governance at the global level reflects the gap between the rapid globalization of markets and the slow adaptation of governance structures and processes to the changing realities. The present section addresses four central and interrelated aspects of global governance: first, the search for enhanced coherence and consistency of the international monetary, financial and trading system in support of development; second, participation in global decision-making and norm-setting; third, the increasing role of civil society in intergovernmental processes; and, finally, cooperation to deal with corruption and international crime.

A. Enhancing global coherence

7. The quest for coherence in policy-making and norm-setting at the global level is rendered even more complex than at the national level by the presence of many independent institutions with different structures and functions in related fields accountable to varying memberships. In this regard, the millennium development goals provide a broad framework for coherence not only among country policies and programmes but also among multilateral institutions.

8. One fundamental feature of the financing for development process was the adoption of a holistic approach to the challenges of development, by addressing financial, trade and development cooperation issues in an integrated manner and by involving in dialogue, in unprecedented fashion, all relevant stakeholders.

9. The multiple dimensions of coherence, inter alia, among multilateral and bilateral institutions, donor and recipient countries and among objectives and instruments, were extensively addressed in Monterrey. Coherence at home was seen as a precondition for coherence of international institutions. The importance of coherence among the economic, social, trade and environmental agendas was also stressed.

10. Implementation of the outcome of the Fourth Ministerial Conference of the World Trade Organization, held at Doha from 9 to 13 November 2001, which will potentially enable world trade to support development for all, calls for a wide range of actions, some of which have been specified in the Monterrey Consensus. However, coherence calls for multi-pronged action. A glaring example of lack of coherence between domestic economic policies and development cooperation policies in need of urgent redress is the gap between agricultural subsidies in developed countries of over $300 billion a year, which have detrimental effects on developing countries, and total spending on development assistance, amounting to only one sixth of that figure.

11. Increased coherence of international monetary and financial policy with respect to international trade policy and of both sets of policies with respect to development objectives and commitments requires greater cooperation among existing institutions. The Monterrey Consensus specifically committed signatories to continuing to build bridges among development, finance and trade organizations and initiatives (para. 68). It also encouraged improving the relationship between the United Nations and the World Trade Organization for development (para. 64).

12. To this end, the Monterrey Consensus mandated the annual meeting of the Economic and Social Council with the Bretton Woods institutions and the World Trade Organization to address issues of coherence, coordination and cooperation, as a follow-up to the Conference, and emphasized the importance of interactions among these institutions on such matters. In the first meeting of the Council with the Bretton Woods institutions and the World Trade Organization after the Monterrey Conference, participants called for a further strengthening of the collaborative approach developed in the financing for development process among these institutions.

13. The Monterrey Consensus also recognized the need to strengthen international tax cooperation. There is today no global intergovernmental forum that considers tax questions on an ongoing basis or that adequately puts the tax debate in a wider — including a developmental — context. Improved cooperation would contribute to reducing opportunities for tax evasion and avoidance and enhancing tax administration. **In the follow-up to Monterrey, consideration should be given to a better and more effective use of the existing instruments, including the Ad Hoc Group of Experts on International Cooperation in Tax Matters, for improving modalities for enhanced dialogue on tax matters, as called for in the Monterrey Consensus.**

B. Participation in decision-making and norm-setting

14. The increasing integration of the economies of the vast majority of countries has heightened the importance of international policy-making. Multilateral economic decisions (or even decisions of one or a few large industrialized countries) tend to have deeper and broader global implications than in the past. Individual economies and often entire regions can be substantially affected. This is partly why, since the early 1990s, there have been increasing calls, inter alia, in international forums, such as the Commission on Global Governance (see box 1), to adapt global economic governance to present requirements.

Box 1
Commission on Global Governance

The report of the Commission ("Our Global Neighbourhood") has warned about a "global governance deficit". It is based on the principle that a global civic ethic to guide action within the global neighbourhood and leadership infused with that ethic are vital to the quality of global governance. Its premise is that the pace of globalization of markets is outstripping the capacity of Governments to provide the necessary framework of rules and cooperative arrangements. There are severe limits to national solutions to such failures within a globalized economy, yet the structures of global governance for pursuing international public policy objectives are underdeveloped. The report includes proposals, inter alia, to: enhance developing countries' participation in global decision-making; strengthen the rule of law worldwide; give civil society a greater voice in governance and enhance its relationship with the United Nations; and explore ways to raise new funds for global purposes (http://www.cgg.ch/contents.htm).

15. Some key institutions in international economic policy-making were established over 50 years ago; others — such as the G-7 and G-8, the World Trade Organization and the Financial Stability Forum (FSF) — were established more recently. To a large degree, they all share one characteristic: the preponderant weight of a limited number of developed countries in key decision-making. In contrast, for example, with the United Nations, in several of these institutions or groups, the voice of developing countries is faint or not heard at all and their voting rights are limited or non-existent. Often when developing countries can participate, other factors conspire against an effective involvement: they are not sufficiently consulted on the agenda, or the issues are varied and require large and costly delegations, or are too complex and require expertise unavailable in many developing countries. The result is that decisions tend to reflect the interests of a limited number of countries. The views and interests of developing countries are not paid sufficient attention and the decision-making process is perceived as inequitable.

16. Pari passu with the globalization process, there has been growing acceptance and adherence to two important principles: participation and ownership. The first is reflected in sweeping democratization processes in many countries and the build-up of participatory structures at different levels. This has been accompanied by calls from the international community in various forums to strengthen participation at the national and local levels.[3] The second is reflected in the increased recognition that the design of the national development strategy and policy formulation rests with the country itself. The corollary of adherence to these principles at the international level is equitable participation in global economic governance. Without it, international decision-making will continue to benefit mostly a limited number of countries. Countries excluded from or not consulted on decisions involving rules or norms meant to apply to them will not necessarily feel committed; ownership will not be served.

17. While the quest for broader participation of the developing world in international economic decision-making dates back several decades, only more recently has broad, explicit support emerged. The establishment in 1999 of the Group of 20 (G-20) represents one effort in this direction.[4] The repeated proposal to establish an economic and social security council also reflects the recognition of the need for representation more consistent with current realities. The United Nations Millennium Declaration states (para. 6): "Responsibility for managing worldwide economic and social development, as well as threats to international peace and security, must be shared among the nations of the world and should be exercised multilaterally." Also, the attachment on the International Conference on Financing for Development (para. 9) to the 18 November 2001 communiqué of the Development Committee (Joint Ministerial Committee of the Boards of Governors of the Banu and the International Monetary Fund (IMF) on the Transfer of Real Resources to Developing Countries) affirms: "Ministers also agreed that it is important to find pragmatic and innovative ways to continue to enhance the effective participation of developing countries in international dialogues and decision-making processes."

18. Since the beginning of the substantive discussions of the Preparatory Committee for the International Conference on Financing for Development, participation — and also ownership — have figured in the discussions. Both the report of the Secretary-General to the Preparatory Committee (A/AC.257/12) and the report of the High-level Panel on Financing for Development (see A/55/1000) (see box 2) underline the importance of "voice", equitable representation and tools for effective participation.[5] Both reports offer a set of recommendations to make these general orientations operational.

Box 2
The Zedillo report

The report of the High-level Panel on Financing for Development (the Zedillo report) (see A/55/1000) addressed systemic issues, building on the conclusions of the Commission on Global Governance, and endorsed specific proposals by the Commission. The report further contains proposals to: reform the governance of the World Trade Organization so as to enable small countries to play a more effective role in decision-making; strengthen the International Labour Organization (ILO) by providing it with instruments to enforce its standards; consider the potential benefits of an international tax organization to, at the least, compile statistics, identify trends and problems, present reports, provide technical assistance and develop international norms for tax policy and administration.

19. Furthermore, the Preparatory Committee for the International Conference on Financing for Development had before it a listing of existing proposals to promote the increased and more effective participation of developing countries in the trade and financial decision-making processes.[6] This list also showed the concern of the Bretton Woods institutions and World Trade Organization authorities that there be

more effective participation and that measures were being taken to improve the situation. Efforts continue by these institutions to make the participation of developing countries in them more effective.[7] The Integrated Framework for Trade-related Technical Assistance to Least Developed Countries and Doha Development Agenda-related technical assistance aim to help poor countries to integrate into the trading system and to participate fully in, and benefit from, trade negotiations. Moreover, there have been several ad hoc efforts to enhance the participation of developing countries in various initiatives. For example, FSF has initiated regional meetings to promote information exchanges among regional FSF and non-FSF members on financial system vulnerabilities, enabling non-members to bring their perspectives into the work of the Forum. At the Genoa Summit (20-22 July 2001), the G-8 agreed to support African efforts to resolve African problems and decided to liase with committed African leaders on the development of a concrete action plan. The G-8 subsequently adopted the Africa Action Plan at the Kananaskis Summit (26 and 27 June 2002), in consultation with the African leaders who had been the architects of the New Partnership for Africa's Development (NEPAD).

20. Yet, much more remains to be done, particularly with respect to improving the consultation process so that the voices of all countries are heard when economic decisions with global impact are taken in the various international bodies. In certain cases, several steps can be taken towards ensuring that the developing countries' perspective is taken into account at the policy formulation stage.[8] **Also, the periodic reviews of IMF quotas and the capital base of the World Bank provide occasions to enhance the participation of developing countries in the decision-making of these key institutions.**[9] A major challenge is striking a balance in the trade-off between equitable representation and effectiveness and efficiency.

21. The Monterrey Consensus reaffirmed the importance of a "fully inclusive and equitable global economic system" (paras. 1 and 7) and put forward several recommendations to give operational meaning to this principle. Thus, member countries committed to: facilitating the accession of all countries that apply for membership of the World Trade Organization (para. 30) and strengthening the participation of all developing countries in multilateral trade negotiations, in particular, via assistance for capacity-building (para. 38); strengthening partnership for development based on the recognition of ownership of the recipient country (paras. 40 and 43); sustaining efforts towards reform of the international financial architecture with greater transparency and effective participation (para. 53); working to attain a more effective and equitable participation in the formulation of financial standards and codes (para. 57); strengthening the participation or consultation with developing countries and countries with economies in transition in norm-setting (para. 62); and enhancing participation or improve consultations with the Bretton Woods institutions, the World Trade Organization, the Bank for International Settlements and FSF (para. 63).

22. **The General Assembly could encourage the identification of concrete modalities for the implementation of the above recommendations of the Monterrey Consensus. It could also consider a time frame for their introduction.**

C. The role of civil society in intergovernmental processes

23. Despite its strong effort to interact with the full spectrum of non-State actors, the United Nations has so far institutionalized formal arrangements for consultation with only one segment of civil society. Article 71 of the Charter of the United Nations provides for the Economic and Social Council to consult with non-governmental organizations concerned with matters within its competence. The number of non-governmental organizations in consultative status with the Economic and Social Council had grown from 41 in 1946 to 1,041 in 1996, and doubled in the last five years to reach 2,236 in July 2002. About one third of them are from the regions of Africa, Latin America and the Caribbean and Asia and the Pacific.

24. Recognizing their indispensable role as partners in development, heads of State and Government in the United Nations Millennium Declaration resolved to "work collectively for more inclusive political processes, allowing genuine participation by all citizens in all our countries" (para. 25) and "give greater opportunities to the private sector, non-governmental organizations and civil society, in general, to contribute to the realization of the Organization's goals and programmes" (para. 30).

25. As follow-up to the Millennium Declaration, steps have been taken to enhance non-governmental organization and private sector participation in global conferences and specific initiatives by specialized agencies, funds and programmes. While such efforts mark a move in a positive direction, the United Nations system could harness even greater benefits from this partnership by considering steps for further strengthening the processes for the contribution of civil society to its deliberations.

26. Among the steps suggested at the substantive session of 2002 of the Economic and Social Council were recommendations that the Council: (a) broaden its outreach to civil society, non-governmental organizations, the private sector, parliamentarians, universities, local authorities, professional organizations; (b) consider institutionalizing arrangements for non-governmental organization participation in the high-level segment, also ensuring a geographically balanced representation (this would also imply exploring ways of funding the participation of non-governmental organizations from developing countries); and (c) encourage informal regional networks of non-governmental organizations as a means of building the capacities of these organizations to take part in United Nations work, support coalitions of non-governmental organizations and disseminate information on the work of the Council (see E/2002/62).

27. The informal regional network of non-governmental organizations initiative is intended to lift some of the barriers to more inclusive and effective non-governmental organization participation in the development activities of the Economic and Social Council and its subsidiary bodies and the United Nations system. The overarching goal of the informal network is to increase parity in the non-governmental organization sector by providing access to information and the benefits of information and communication technologies (ICT) through a technology-based system designed to promote interactive exchange among non-governmental organizations and between non-governmental organizations and the United Nations.

28. The Monterrey Conference adopted several innovative arrangements throughout its preparations to incorporate the views and participation of civil

society. Examples include the convening of two-day formal hearings with non-governmental organizations and the private sector that allowed participants to offer concrete proposals to Member States and discuss specific initiatives. Furthermore, at the conference itself, representatives of non-governmental organizations and the private sector each accounted for one tenth of the participants at the ministerial- and summit-level round tables.

29. The World Summit on Sustainable Development, in its preparations, built on pre-existing relationships and arrangements with major groups that had been developed through the multi-stakeholder dialogues of the Commission on Sustainable Development. By forming major groups, Agenda 21[10] had identified nine categories of stakeholders[11] whose input would be needed for effective sustainable development implementation. Multi-stakeholder dialogues, introduced in 1997 in an effort to strengthen the high-level policy debate on sustainable development through a highly participatory model involving major groups, have proved a valuable experiment with respect to strengthening civil society's involvement in intergovernmental processes.

30. Along with the widespread support for the goal of the dialogues, some of their shortcomings have been acknowledged. A recent evaluation of the multi-stakeholder dialogues commissioned by the United Nations Secretariat included the following recommendations to improve their effectiveness and impact: provide ample opportunity to allow participants to contribute meaningfully; address the time constraints of the dialogues especially in light of the broad thematic issues addressed; construct the setting to allow participants to focus contributions in a problem-solving manner; ensure that the dialogues are facilitated to provide a clear and efficient process; and link the dialogues to substantive decision-making sessions to increase their impact on policy-making.[12]

31. Major United Nations conferences and summits, more recently in Monterrey and Johannesburg and the related World Summit on Sustainable Development preparatory process, have been vital sources of innovative arrangements. The Economic and Social Council has started to incorporate some of these new practices and build them into the special high-level spring meeting with the Bretton Woods institutions and the World Trade Organization and the high-level segment of its substantive session.

32. The General Assembly, which does not offer standing to civil society organizations other than by invitation, has developed ad hoc arrangements during special sessions that are supportive of their engagement. Consideration might be given to the ongoing work of the Assembly and its Committees and how they might also move forward in this connection. **Interaction in the form of round tables, dialogues or hearings (using the financing for development format) could be especially beneficial for specific items in its agenda devoted to economic and social topics such as globalization and development. Outreach to a broader spectrum of civil society in the globalization debate could promote better understanding among all relevant stakeholders.**

33. The specialized agencies of the United Nations system and United Nations funds and programmes are also organizing their work programmes to enhance collaboration with civil society. Other international organizations are examining ways to increase interaction with civil society. United Nations bodies that have autonomous accreditation processes include the International Labour Organization

(ILO), the Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the World Health Organization (WHO), the International Telecommunication Union (ITU), the International Maritime Organization (IMO), the World Intellectual Property Organization (WIPO), the United Nations Industrial Development Organization (UNIDO) and the United Nations Conference on Trade and Development (UNCTAD). One recent example in this area is the new Policy on Engagement with Civil Society of the United Nations Development Programme (UNDP). This policy reflects a change in thinking about civil society organizations, now partners in governance rather than partners in implementation. Over the past two years, UNDP has established a Civil Society Advisory Committee to the Administrator, which allows UNDP to "sound out" ideas with civil society and in turn allows civil society to advocate for human development-related issues.

D. Cooperation against corruption and transnational crime

34. Many forms of crime, such as organized crime, corruption, money-laundering, drug trafficking, trafficking in persons, high-technology and computer-related crime and terrorism, are becoming more global in nature. Joint efforts by the international community are thus crucial for tackling these crimes effectively. The importance of fighting these threats, which destabilize State institutions, weaken governmental authorities and civil society at large and undermine the values of democracy and the rule of law, is increasingly recognized at national as well as international level.

35. For instance, in the Monterrey Consensus (paras. 65 and 66), heads of State and Government committed to negotiating and finalizing as soon as possible a United Nations convention against corruption in all its aspects, including the question of repatriation of funds illicitly acquired, and to promoting stronger cooperation to eliminate money-laundering. States that had not yet done so were encouraged to consider signature and ratification of the United Nations Convention against Transnational Organized Crime.[13] The Monterrey Consensus further urged all States that had not yet done so to consider becoming parties to the International Convention for the Suppression of the Financing of Terrorism,[14] and called for increased cooperation with the same objective.

Transnational organized crime

36. On 15 November 2000, the General Assembly adopted the United Nations Convention against Transnational Organized Crime and two Protocols supplementing the Convention: the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime,[15] and the Protocol against Smuggling of Migrants by Land, Air and Sea, supplementing the United Nations Convention against Transnational Organized Crime.[16] Subsequently, on 31 May 2001, the Assembly adopted the Protocol against the Illicit Manufacturing of and Trafficking in Firearms, Their Parts and Components and Ammunition, supplementing the United Nations Convention against Transnational Organized Crime.[17] In both resolution 55/25 and resolution 55/255, the Assembly urged all States and regional economic organizations to sign and ratify the instruments as soon as possible in order to ensure their speedy entry into force.[18]

37. The Convention and the Protocols thereto have been recognized as a significant development in international criminal law and in joint international action against transnational organized crime (see report of the Secretary-General on promoting the ratification of the United Nations Convention against Transnational Organized Crime and the Protocols thereto (E/CN.15/2002/10). The Vienna-based Centre for International Crime Prevention has assisted the efforts of countries to ratify these new instruments.

38. Member States face several challenges with respect to improving the international legal framework in their fight against transnational organized crime. They include possible amendments to existing national legislation required by the Convention against Transnational Organized Crime and its Protocols; overcoming obstacles to cross-border criminal justice cooperation against transnational criminal groups; developing and implementing measures that balance the need to counter supranational criminal threats with the sovereignty of States; and raising awareness and mobilizing civil society against local organized criminal groups to complement the adoption of domestic laws.

39. **In addition to the elaboration of international legal instruments, technical cooperation projects are an important means of aiding Governments in combating transnational organized crime as well as corruption. Further coordination of activities within the United Nations system is required in that regard.**

Corruption

40. The Monterrey Consensus (para. 13) makes specific reference to corruption and emphasizes that fighting corruption at all levels is a priority. Corruption diverts resources away from activities vital for poverty eradication and sustainable development and discourages effective resource mobilization and allocation. It also erodes the rule of law, needed to support stable, peaceful and prosperous societies.

41. **Reducing corruption requires a long-term commitment that transcends partisan politics and mobilizes extensive financial and human resources. While taking into account the specific needs of each country, national anti-corruption strategies might also aim to build upon existing instruments to develop a global framework for preventing and combating all forms of transnational corruption, as well as preventing the transfer of funds of illicit origin and providing for their repatriation.**

High-technology and computer-related crime

42. Measures have also been taken, at the national and international levels, to prevent and combat high-technology and computer-related crime. However, that there is a need for further research and technical cooperation to enable, in particular, developing countries to counter this form of crime is widely recognized.

43. On 31 January 2002, the General Assembly took note with appreciation of the plans of action[19] for the implementation of the Vienna Declaration on Crime and Justice: Meeting the Challenges of the Twenty-first Century,[20] as follow-up thereto. These included a plan dealing with the prevention and control of high-technology and computer-related crime. The Assembly invited Governments to consider carefully the plans of action as a guide in the formulation of legislation policies and

programmes.[21] It also invited the Secretary-General to implement the plans of action.[22]

44. In 2002, at its eleventh session, the Commission on Crime Prevention and Criminal Justice reiterated the urgent need for further research into high-technology and computer-related crime, as well as for technical assistance, particularly to aid developing countries in building capacity to support legislative reforms, law enforcement, and the ability to provide cooperation in responding to transnational cases.

45. Meanwhile, in December 2001, the Council of Europe adopted the Convention on Cybercrime,[23] which will come into force when five countries, at least three of which are member States of the Council, have ratified it. By June 2002, 29 member States of the Council had signed the Convention, as well as 4 non-European States that had participated in its negotiation.

46. **Cybercrime's impact on the broader process of using ICT for social and economic development efforts needs further consideration.** Among the questions that might be addressed are the effects of computer-related crime on ICT development and whether these differ in developed and developing countries. Moreover, studies of the potential impact of ICT on globalization and international development strategies should include consideration of the role of ICT in the globalization of organized crime and the impact of computer-related crime (and the fear of such crime) on development strategies.

47. **Crime and crime-related issues need to be considered in order to formulate efficient policies regarding the management of globalization. Effectively tackling the challenges posed by the interrelationship among transnational organized crime, terrorism, drug trafficking, trafficking in human beings, corruption, money-laundering, cybercrime and other threats, requires coordinating activities within the United Nations system and promoting synergies within the system and with other international organizations.**

III. The regional dimension of economic governance

48. Regional economic bodies have proliferated over the last 50 years. Motivated often by the need to build larger economic spaces, increase economies of scale and expand trade markets, many regional bodies have evolved towards the development of common policy approaches on an array of monetary, financial and trade issues, aiming at greater policy coherence.

49. More recently, in response to globalization-related challenges, there has been a resurgence of interest in economic and financial cooperation among regional and other groups of countries, inter alia, in international trade, investment, monetary issues and financial sector oversight. This acquired heightened momentum in the wake of the crises of 1997, responding partly to a perceived deficit of effective governance mechanisms at the global level. One result has been the consideration of regional monetary institutions to supplement the role of IMF (see box 3).

Box 3

The report of the Executive Committee on Economic and Social Affairs of the United Nations Secretariat entitled "Towards a new international financial architecture"

The report contained, inter alia, specific recommendations with respect to enhancing the role of regional institutions in economic governance. It called for the design of a network of regional and subregional organizations to support the management of monetary and financial issues, arguing that stronger regional and subregional institutions could play a significant role, in terms of both the stability of the world financial system and the balance-of-power relations at the international level. The report emphasized the essential stabilizing role such institutions can play. Moreover, regional and subregional development banks and reserve funds could be instrumental both in crisis management and in financing development. They could also supplement IMF funds in times of difficulty, thereby possibly reducing the need for IMF support. The report suggested that the design of a new architecture could introduce special incentives to develop such institutions. Moreover, regional institutions and peer review could also play a central role in surveillance of macroeconomic policies and of domestic financial regulation and supervision, as complements to IMF. This would contribute towards a more balanced globalization (http://www.un.org/esa/coordination/ecesa/ecesa-1.pdf).

Since the issuance of the report, a number of developments in monetary cooperation have taken place in Asia and other regions, including progress towards the Asian monetary fund and the Chiang Mai Initiative under which bilateral swap arrangements have been concluded.

50. Regional arrangements can offer opportunities for, inter alia, macroeconomic consultation and coordination, provision of liquidity during crises, and development banking. They may also facilitate more effective participation of small countries in norm-setting — in such areas as the formulation, adoption and implementation of prudential codes and standards for the financial sector — where the principle of subsidiarity could properly apply.

51. The important role of regional arrangements and institutions in promoting development and strengthening economic governance is reflected in the deliberations and outcome of the Monterrey Conference. One recurrent theme emerging from the discussions was the need for coherence not only at the national, regional and international levels, but also among these three levels. It was emphasized that regional consultative mechanisms could make an important contribution to improving global governance and that democratization of global governance could be strengthened by making greater use of regional groupings of countries as intermediate forums within which to develop proposals and build consensus among Governments on important issues.[24] The Monterrey Consensus reflected an undertaking by leaders to "encourage and support development

frameworks initiated at the regional level, such as the New Partnership for Africa's Development and similar efforts in other regions" (para. 6).

52. Addressing systemic issues, the Monterrey Consensus envisaged an important role for regional institutions or organizations in contributing to enhancing the coherence of international monetary, financial and trading systems. It recognized the importance of the regional dimension in the area of surveillance, where IMF is encouraged to coordinate closely with relevant regional organizations, including regional commissions, in its efforts to facilitate the timely detection of external vulnerability (para. 55). The Monterrey Consensus further underlined the need to enhance the stabilizing role of regional and subregional reserve funds, swap arrangements and similar mechanisms that complement the efforts of international financial institutions to ensure a suitable array of financial facilities and resources in time of crisis (para. 59). Strengthened regional development banks and subregional financial institutions add flexible financial support to national and regional development efforts, enhancing ownership and efficiency. They also serve as a vital source of knowledge on economic development for their developing member countries (para. 45).

53. The contribution of regional-level consultations as a means to enhance participation in international dialogues and decision-making processes was recognized. In this regard, limited membership groupings such as the Bank for International Settlements, Basel Committees and FSF were encouraged to continue enhancing their outreach and consultation efforts with developing countries and countries with economies in transition at the regional level, and to review their membership, as appropriate, to allow for adequate participation (para. 63).

54. The regional dimension was also seen as important in efforts to strengthen international tax cooperation, through enhanced dialogue among national tax authorities and greater coordination of the work of the concerned multilateral bodies and relevant regional organizations (para. 64). The regional commissions and regional development banks could work together to promote such dialogue and cooperation at the regional level.

55. Finally, the Monterrey Consensus sought to promote the role of regional commissions and the regional development banks in supporting policy dialogue among countries at the regional level on macroeconomic, financial, trade and development issues (para. 64).

56. **In the follow-up to the Monterrey Conference, deliberations in the General Assembly should consider how the regional dimension could be better harnessed in efforts to enhance global economic governance. They could also specifically focus on the modalities for implementation of the recommendations contained in the Monterrey Consensus in this regard. Priority should be given to enhancing the role of regional commissions in facilitating sharing of experiences, best practices and peer reviews.**

IV. The national dimension of economic governance

57. Both the United Nations Millennium Declaration and the Monterrey Consensus emphasized the importance of an enabling environment for the promotion of both domestic and foreign investment and, through them, of growth, poverty eradication

and sustainable development. Governments have a central role to play in creating such an environment and making globalization work for all. However, the Monterrey Consensus also recognized that sound, coherent, nationally owned policies and development strategies can succeed only in an environment characterized by good economic governance, including efficient regulation, enforcement of contracts, respect for property rights and good infrastructure.

58. Governments seeking to attract international economic activity within their own territory are confronted by a series of requirements, some in relation to law and administration and others in relation to policies. These demands no longer concern just macroeconomic policy and the protection of property rights. In an increasingly competitive global environment, the importance of microeconomic, sectoral policies and those regarding the quality of the hard and the soft infrastructure, is also growing.

59. Developing country Governments, confronted with a changing global environment and powerful external economic forces over which they have little influence, often face extremely difficult policy dilemmas and their capacity to respond effectively is limited not only by institutional constraints and rigid economic structures, but also by the narrow space of manoeuvre available to them in the international context.

60. Greater coherence within Government at all levels is also a challenge. In this regard, the innovative process leading to the Monterrey Conference promoted greater coordination and cooperation among ministries of finance, trade, foreign affairs and economic development and development cooperation.

61. Globalization has amplified the need for international cooperation in numerous areas. The development of agreed frameworks for international economic relations presupposes, however, the existence in each country of a system of national administration capable of effectively complying with such international agreements. In this light, institution-building in each country, for effective administration, becomes a precondition for effective international cooperation.

62. The institutional requirements of a strengthened governance system are demanding and the development of robust institutions is a long-term process requiring sustained efforts and international support. The Monterrey Consensus stressed that the commitment of the international community to supporting developing countries and countries with economies in transition in their efforts to develop effective economic governance systems is indispensable, particularly by providing increased technical assistance resources for institution-building. **The General Assembly should encourage such commitment as a matter of high priority not only at the global and policy level but also in the orientation and content of the operational work of this system at the country level. The impact of capacity-building initiatives of the organizations of the system in this area could be further enhanced through improved coordination under the United Nations System Chief Executives Board for Coordination (CEB).**

63. The Monterrey Consensus also recognized the importance of an effective corporate governance framework for the creation of an enabling environment. Corporate governance, like economic governance, seeks to foster transparency and accountability.[25] A major consideration in this regard is how to devise institutional arrangements that promote these governance attributes. Corporate governance is

affected by globalization in several ways. For example, capital markets liberalization has not only made foreign capital more accessible, but also caused corporate governance practices to become a matter of interest for the international investing community, not just national shareholders. Hence, globalization of capital can promote a convergence of corporate practices. Moreover, the need to strengthen financial markets' confidence in corporate balance sheets provides a new stimulus towards the adoption and implementation by all countries of international accounting and auditing standards. Therefore, overall, globalization is fostering a trend towards internationalization of corporate regulation. The recent alarming wave of accounting and auditing scandals in some developed countries highlights the importance not only of developing and promoting adoption of, but also of ensuring compliance with, international standards and codes.

64. A major challenge for Governments involves ensuring compliance with rules and norms guiding corporate governance being set more and more at the global level, in bodies where developing countries and countries with economies in transition have limited or no representation. A second challenge is adapting these global rules and norms to national contexts, needs and local practices. A third challenge is promoting "good corporate citizenship".

65. **Trends such as globalization and civil society activism underscore the increasing influence of external factors on corporate governance. At the same time, the need for effective regulation, strong enforcement and appropriate incentives regimes implies that effective State capacity, including improved coordination among Governments and agencies, is vital to supporting corporate governance. As recent developments have shown, significant gaps still remain in the rules and standards and in the institutional arrangements for promoting compliance with them. More open and effective institutional arrangements need to be devised for promoting transparent and accountable corporate governance in all countries.**

V. The social dimension of globalization

66. All countries, whether developed or developing, have to cope with the social impact of globalization, although the actual experience of globalization and economic liberalization has varied greatly, with poor countries — and the poor and unskilled within countries — benefiting the least. Policy makers in developing countries face acute dilemmas and financial constraints as the need for fiscal discipline, market-opening and trade liberalization must be balanced with new financing requirements for social protection and employment-generation policies. Furthermore, borrowing for such purposes creates new public debt obligations without the revenue streams for servicing that debt. Policies and institutions, at both the national and international levels, need to take into account the social dimension of globalization.

67. The various aspects of globalization and its impact on social issues have been documented and analysed. The scope of this report would not allow for a detailed examination. However, the need to build into the architecture of economic governance the social impact of globalization led to the creation by the International Labour Organization (ILO) of the World Commission on the Social Dimension of Globalization (see box 4).

Box 4
World Commission on the Social Dimension of Globalization

The Commission, established in February 2002 by the International Labour Organization (ILO), aims to promote dialogue on ideas to make globalization more inclusive. Its main objectives are: improving empirical knowledge of the impact of globalization on employment, decent work, poverty reduction, economic growth and development; examining the perceptions of all relevant stakeholders; forging a broad consensus on the issues, including the involvement of all interested international organizations, Governments and workers' and employers' organizations; and launching a process for addressing the key issues posed by the global economy with respect to making globalization sustainable and promoting the fair sharing of its benefits. The Commission is expected to complete its deliberations and present a report in late 2003 (http://www.ilo.org/public/english/wcsdg/index.htm).

68. Integrating, in a balanced and coherent manner, economic and social policies requires decision makers to avoid thinking in rigidly sectoral terms. Coordination is important among the ministries of the social sectors to improve their efficiency and effectiveness in addressing multidimensional issues. It is also important that both the ministries responsible for economic policy and those responsible for social policy ensure that social considerations are taken into account in the process of developing macroeconomic policy. Strengthened coordination would result in individual sectoral ministries' enhancing the efforts of other sectoral ministries in a systematic way. Opening up the policy and budgetary processes is not just a concern among ministries at the national level. It is also important at the provincial and local levels. This would involve a consultative process for developing strategies for economic and social development that would help to create consensus in policy-making and constructive relations among all stakeholders, including civil society.

69. Moreover, experience shows that only those countries that have in place an effective public administration, solid institutions, adequate social policies, especially social safety nets, and a committed leadership can ensure that all sectors of society benefit from foreign direct investment, trade and access to information technology. **Therefore, a challenge for many Governments lies in giving priority, in the distribution of limited resources, to capacity-building in institutions, human resources development and technological progress. Enhanced international cooperation, inter alia, to strengthen the human and institutional capacities in developing countries, is of critical importance in promoting a better balance and integration of the economic and social dimensions of globalization.**

70. Another challenge that needs to be addressed at the global level is associated with the contrast between the high degree of capital and, to a lesser extent, goods mobility and the limited international mobility of labour, especially low-skilled workers. While States have generally been successful in putting in place the legal and administrative infrastructure for regulating trade, the same cannot be said of regulations regarding the movement of labour across borders. Most State policies

are still based on narrow and short-term concerns, hence the administrative structures often fail to take into account either the powerful market forces driving workers' migration, or the long-term economic consequences of social policies. **Growing migration pressures, felt not only by the economically advanced countries but also in many other regions, make more urgent the development of an international migration regime that would foster more orderly movements.** While current trends point to solutions in the form of regional arrangements such as the free movement of labour within the European Union, they often fail to take into account the larger ambit of migration flows and thus leave much of the movement to non-legal and irregular channels.

Notes

[1] See General Assembly resolution 55/2.

[2] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[3] See, for example, the United Nations Millennium Declaration, para. 25, and the Monterrey Consensus, paras. 11 and 12.

[4] The G-20 includes, in addition to the finance ministers and central bank governors of the G-8, those of 11 developing countries.

[5] See, for example, paras. 15, 134, 136 and 137 of the report of the Secretary-General (A/AC.257/12) and principle recommendation 9 of the executive summary of the report of the High-level Panel, pp. 23-25 of the recommendations of the High-level Panel, and sect. 5 of the technical report of the High-level Panel on Financing for Development (A/55/1000).

[6] Technical note No. 4 (A/AC.257/27/Add.4).

[7] See, for example, "Building a better future in Africa", address by Horst Köhler, Managing Director, IMF, Accra, Ghana, 3 May 2002; and "To Doha and beyond: a roadmap for successfully concluding the Doha Development Round", address by Mike Moore, Director-General of the World Trade Organization, Montreux, Switzerland, 12 April 2002.

[8] To review policy design and experiences, the Organisation for Economic Cooperation and Development (OECD) has established various "global forums" to discuss several issues in the OECD policy agenda with non-members. The paper *Organizational Reform and the Expansion of the South's Voice at the Fund* (G-24 Discussion Paper, No. 15) by Peter Evans and Martha Feimemore (New York and Geneva, UNCTAD and the Center for International Development, Harvard University, December 2001) also presents a number of steps to enhance the influence of developing countries in policy design.

[9] In the case of IMF, the International Monetary and Financial Committee (IMFC) noted in the communiqué of its meeting of 20 April 2002 that the Twelfth General Review of IMF Quotas had started and that quotas should reflect developments in the international economy. In this regard, the communiqué of 19 April 2002 of the Ministers of the Intergovernmental Group of Twenty-four on International Monetary Affairs and Development (*IMF Survey*, vol. 31, No. 8 (29 April 2002)) states: "Ministers note that IMF has commenced discussions on the Twelfth General Review of Quotas, which in their view should result in an increase in the total size of IMF financial resources, thereby strengthening its role in crisis prevention and resolution. The review should also lead to an increase in developing countries' aggregate quota share, thereby improving their voting power in IMF."

[10] *Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992*, vol. I, *Resolution Adopted by the Conference* (United Nations publication, Sales No. E.93.I.8 and corrigendum), resolution 1, annex II.

[11] They are: women, children and youth, indigenous people, non-governmental organizations, local authorities, workers and trade unions, business and industry, scientific and technological communities and farmers.

[12] Department of Economic and Social Affairs, "Multi-stakeholder dialogues: learning from the UNCSD experience" (DESA/DSD/PC3/BP4).

[13] General Assembly resolution 55/25, annex I.

[14] General Assembly resolution 54/109, annex.

[15] General Assembly resolution 55/25, annex II.

[16] Ibid., annex III.

[17] General Assembly resolution 55/255, annex.

[18] The Convention and its Protocols will enter into force on the ninetieth day after the date of deposit of the fortieth instrument of ratification, acceptance, approval or accession. By June 2002, there were 15 parties to the Convention, 12 to the Protocol against trafficking, 11 to the Protocol against smuggling of migrants and 2 to the Protocol against the illicit manufacturing of and trafficking in firearms.

[19] General Assembly resolution 56/261, annex.

[20] General Assembly resolution 55/59, annex.

[21] General Assembly resolution 56/261, para. 4.

[22] See report of the Secretary-General on effective measures to prevent and control computer-related crime (E/CN.15/2002/8). At its eleventh session in 2002, the Commission on Crime Prevention and Criminal Justice approved a draft resolution on the follow-up to the plans of action to be recommended by the Economic and Social Council for adoption by the General Assembly (see *Official Records of the Economic and Social Council, 2002, Supplement No. 10* (E/2002/30), chap. I, sect. A, draft resolution III).

[23] *Council of Europe, European Treaty Series*, No. 185.

[24] See *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7).

[25] See Ejeviome Eloho Otobo, "Contemporary external influences on corporate governance: coping with the challenges in Africa" (11 December 2000), background paper prepared for the African Development Bank for its *African Development Report, 2001: Fostering Good Governance in Africa* (Oxford, Oxford University Press and Edition Economica, 2001).